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Message Text

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INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 EB-03 INR-05 L-01

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DRAFTED BY EA/K:PMAYHEW:CHG
APPROVED BY EA/K-MR O'DONOHUE
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S/S - JMEALUM
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P R 142233Z MAR 75
FM SECSTATE WASHDC
TO AMEMBASSY SEOUL PRIORITY
INFO USLO PEKING
AMCONSUL HONG KONG
AMEMBASSY TAIPEI

S E C R E T STATE 058097

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, PFOR, PLOS, CH, KS, US

SUBJECT: GULF/ZAPATA PLANS TO DRILL IN EAST CHINA SEA

REF: (A) STATE 055035; SEOUL 1646

1. ACTING SECRETARY INGERSOLL MET WITH BOB DORSEY, GULF CHAIRMAN, M.J. HILL, VICE PRESIDENT FOR EXPLORATION AND PRODUCTION, ROBERT REES, ASSISTANT GENERAL COUNSEL, AND STUART NELSON, FOREIGN AFFAIRS REP IN WASHINGTON ON MARCH 13.

2. DORSEY TOLD ACTING SECRETARY THAT GULF CONCESSIONS FROM ROKG GENERALLY NOT PROMISING; IF ONLY CONCESSIONS WERE INVOLVED, GULF COULD "WALK AWAY" FROM KOREA. HOW-
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EVER, GULF HAD $200 MILLION INVESTMENT TO PROTECT IN

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KOREA IN REFINERY, DISTRIBUTION SYSTEM, CHEMICALS, ETC. AND FELT IT HAD NO ALTERNATIVE BUT TO FULFILL ITS MORAL OBLIGATION TO ROKG BY DRILLING TWO MORE HOLES, UNLESS IT COULD DEMONSTRATE "FORCE MAJEURE" TO ROKG.

3. HILL ADDED THAT WHILE EXPLORATION IN KOREAN CONCESSIONS HAD BEEN GENERALLY VERY DISCOURAGING, SEISMIC WORK SHOWED THAT TWO SITES IN WHICH GULF/ZAPATA PROPOSED TO DRILL IN SOUTHWEST PORTION OF SOUTHERNMOST CON-

CESSION BLOCK HAS REASONABLE PROSPECTS AND SHOULD BE DRILLED FOR PROPER EVALUATION. (SECOND PROPOSED SITE IS 25 NAUTICAL MILES NORTH OF ORIGINAL SITE) ROKG HAD 20 PERCENT WORKING INTEREST IN GULF DRILLING, HAD INVESTED OWN MONEY, WAS AWARE OF THESE SEISMIC RESULTS, AND VERY INTERESTED IN PROPOSED DRILLING. HILL ALSO POINTED OUT THAT GULF HAD CONTRACTED FOR RIG FOR DRILLING FOR WHICH THEY HAD NO OTHER USE, AND IF IT NOT USED IT HAD $16,000 A DAY STANDBY COST FOR PERIOD OF CONTRACT. HE REITERATED GULF/ZAPATA PLANS NOT TO USE U.S. CITIZENS IN DRILLING OPERATION.

4. ACTING SECRETARY POINTED OUT THAT WE HAD MADE KNOWN TO ROKG OUR CONCERN ABOUT PROPOSED OPERATION AND THAT WE HAD ADVISED GULF NOT TO GO AHEAD. ROKG HAD NOT RAISED OBJECTIONS. REES SAID GULF DID NOT REGARD PROPOSED DRILLING AS ANY MORE RISKY THAN THAT WHICH THEY HAD UNDERTAKEN IN 1972-73 IN ROKG CONCESSION BLOCK II AND ASKED IF DEPT. FELT SITUATION HAD CHANGED. DEPT OFFICER SAID THAT WE DID BELIEVE SITUATION SOMEWHAT DIFFERENT. PROPOSED SITE MUCH FARTHER FROM KOREAN PENINSULA. MORE IMPORTANTLY, SINCE EARLIER DRILLING WE BELIEVED PRC ATTITUDE TOWARD EXPLORATION ON SHELF HAD HARDENED. PEKING HAD WARNED THAT ANYONE UNDERTAKING OFF-SHORE DEVELOPMENT ACTIVITIES MUST BEAR FULL RESPONSIBILITY FOR ALL CONSEQUENCES AND WE BELIEVE PEKING ATTACHES MUCH GREATER IMPORTANCE TO ITS POSSIBLE OFF SHORE OIL RESOURCES.

5. REES COMMENTED THAT GULF CONCESSION LINES MET ALL

REASONABLE INTERNATIONAL STANDARDS OF DEMARCATION AND HE DOUBTED PRC WOULD HAVE SERIOUS PROBLEMS WITH PROPOSED DRILLIHG. ASSUMING ROKG TOOK HARD LINE TOWARD GULF, HE CONTINUED, WOULD IT BE POSSIBLE FOR USG TO CONTACT PRC TO ESTABLISH VALIDITY OF CONCESSION LINE IN THIS AREA? ACTING SECRETARY EXPRESSED DOUBT THAT PEKING WOULD BE PREPARED VALIDATE ANY LINE DRAWN BY ROKG.

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6. REES ASKED WHAT DEPARTMENT'S VIEW WOULD BE TO DRILLING AT SECOND, MORE NORTHERLY SITE, AND IF WE COULD DEFINE AREA OF CONCESSION IN QUESTION IN WHICH IT WOULD BE POSSIBLE TO DRILL WITHOUT UNDUE RISK. ACTING SECRETARY POINTED OUT THAT ELEMENT OF RISK INVOLVED NOT REALLY SUSCEPTIBLE TO PRECISE GEOGRAPHIC DEFINITION, BUT THAT WE WOULD REVIEW QUESTION FURTHER AND TALK TO GULF AGAIN.

7. COMMENT: GULF'S FEARS IN REGARD TO ITS INVESTMENT IN KOREA SEEM OVERSTATED AT BEST. IN VIEW CONTRAST BETWEEN DORSEY STATEMENT AND NEUTRAL REACTION OF FONMIN TO U.S. POSITION (SEOUL 1646) WOULD APPRECIATE EMBASSY SEOUL COMMENTS ON GULF ASSERTIONS, AS WELL AS YOUR ASSESSMENT OF ROKG REACTION IF GULF WERE TO CITE U.S.G. OBJECTIONS AND SUGGEST TO ROKG THAT GULF NOT UNDERTAKE

DRILLING IN CURRENTLY PROPOSED SITES.
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